

FISCAL NOTE

SB 1567 - HB 1275

March 23, 2001

SUMMARY OF BILL:

- Exempts from franchise and excise taxes limited liability companies, limited partnerships and limited liability partnerships if all of the following criteria are met:
 - At least 66.67% of the activity of the entity is the real estate rental business.
 - For this purpose, the activity of the entity shall be considered the real estate rental business only if (1) at least 66.67% of its income, including capital gains from the sale of assets used in the real estate rental business is derived from the real estate rental business, and (2) at least 66.67% of its assets, valued at the original cost to the entity, are used by the owner in the real estate rental business. In the event that an asset's original cost to the entity cannot be determined, or there is no original cost to the entity, for purposes of this subdivision, the property shall be valued at its fair market value at the time of acquisition by the entity.
 - For this purpose, assets "used by the owner in the real estate rental business" include real property located contiguous to the real estate presently being used in the real estate rental business.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$5,000,000

Estimate assumes:

- Census data was used to determine the potential revenue amount and the proportion of limited liability entities to all real estate entities.
- The current distribution of franchise taxes to excise taxes for such businesses was used to determine the potential franchise tax base.
- A decrease in excise taxes of approximately \$3,000,000 on an estimated tax base of \$49.3 million for such businesses, ($\$49,300,000 \times 6\% = \$2,958,000$).
- A decrease in franchise taxes of approximately \$2,400,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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